



Transmission Pricing Work Group Report to the RRG

Major Open Issues

August 23-25, 2000



Outline For Presentation

- **Overview of Open Issues**
- **Open Issues – Transfer Payments**
 - Transfer Payment, is it constant or subject to change
 - Imputed Transfer Payment for Short Term Firm and Non-Firm Bundled Sales
 - Imputed Transfer Payments for Long-Term Firm Bundled Power Sales
- **Open Issue - Term of Company Rates**
- **Questions / Consensus Discussion**



Overview of Issues

- **Transfer Payments**
 - **What is included?**
 - **For how long?**
- **What is constant?**
 - **Transfer Payment – Accounts for other activity on the transmission grid besides providing for the company's load.**
 - **Two Issues deal with Transmission Access fee Imputed from a Bundle Power Sale**



Issue: Transfer Payment, is it constant or subject to change

Description: Transfer Payment Remain Constant during the Period of Company Rates. Does constant mean fixed amount, varies with changing company rate, etc.

Background: Option 6 states “the transfer charges will remain constant except that any transfer charges tied to a specific FTR shall expire at such time as the related FTR's expire. Other exceptions to a constant transfer charge may be appropriate on a case by case basis.”



Issue: Transfer Payment, is it constant or subject to change (continued)

Alternatives:

- 1 Assume constant transfer payments over the company rate period
2. Allow transfer payments to change to reflect explicit price changes provided for in existing contracts
3. Allow transfer payments to change to reflect increases in company transmission rates over the company rate period



Issue: Imputed Transfer Payments For Short-Term Firm and Non-Firm Bundled Power Sales

Description: Should there be Transfer Payments from the Imputed Transmission Access Fees incorporated in Short-Term Firm and Non-Firm Bundled Power.

Background: When power is sold, and priced at the point of delivery to the recipient system, bundled into that price is, arguably, a contribution to the cost of the seller's transmission system. It has been proposed that to mitigate cost shifting this cost responsibility should continue to attach to the buyer of the power by imputing a transfer payment in the company rates reflecting the historical level of contribution.



Issue: Imputed Transfer Payments For Short-Term Firm and Non-Firm Bundled Power Sales (continued)

Alternatives:

- Impute a transfer payment that represents the transmission contribution related to a typical historical level of STNF bundled power sales. This payment would be offset with unencumbered (non-exempt) FTR auction revenue.
- Do not impute a transfer payment from STNF bundled power sales.



Issue – Imputed Transfer Payments For Long-Term Firm Bundled Power Sales

Issue Description: How do you handle Imputed Transfer Payments For Long-Term Bundled Power Sales after the Long-Term Contract expires?

Background: Bundled power sales contracts between PTOs need not be replaced by transfer payments and FTRs, at least for the period that the quantity of the sale does not change. The contract is not suspended and the seller can functionalize the revenues between power and transmission, using the transmission related revenues to reduce its Company rate. The question is “Is there a Transfer Payment instituted after the contract end?”



Issue – Imputed Transfer Payments For Long-Term Firm Bundled Power Sales (continued)

Alternatives:

1. Impute a transfer payment that represents the transmission contribution related to a long-term bundled power sale when it expires.
2. No, unless the power seller can demonstrate that without an RTO, upon expiration of the power sale, the purchaser would have needed to purchase replacement transmission services from the original seller of the power



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Questions / Consensus Discussion